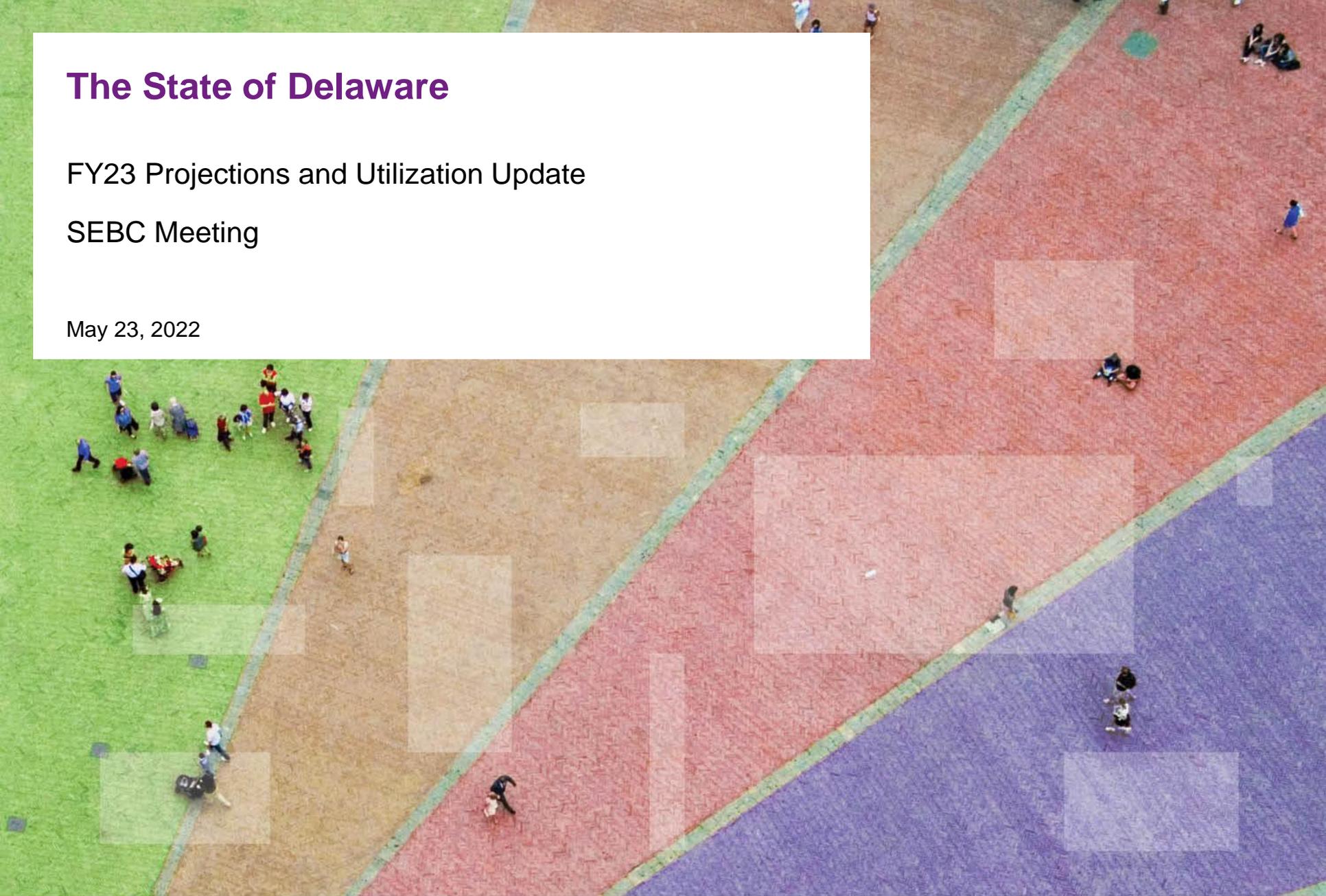


The State of Delaware

FY23 Projections and Utilization Update

SEBC Meeting

May 23, 2022



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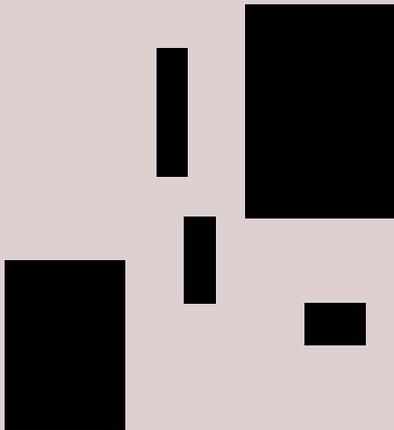
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Updated long-term projections



GHIP long term health care cost projections

FY22 Q3 Update

- The FY22 Q2 GHIP long-term projections update projected \$62.7M and \$219.3M deficits in FY23 and FY24
- On February 28th, 2022, the SEBC voted on the following measures impacting future long-term projections:
 - Move Medicfill population to Group Medicare Advantage plan (medical only), effective 1/1/2023, administered by Highmark, and continue offering drug coverage through CVS EGWP
 - Implement 8.67% premium rate increase, effective 7/1/22 (increase applied to MA with EGWP rates effective 1/1/23)
 - Adoption of CVS Drug Savings Review Program, effective 7/1/22 for non-Medicare Aetna and Highmark members effective 7/1/22
- On April 25th, 2022, the SEBC voted on the following measures impacting future long-term projections:
 - Eliminate option for Medicare participants to enroll in GHIP coverage without prescription drug coverage
 - Effective 7/1/22, adoption of CVS Transform Diabetes Care for Aetna members and continuation of Livongo diabetes program for Highmark members
- Projections have been updated to include these SEBC votes as well as updated plan experience through FY22 Q3 (including updated claims through April 2022), with the following impact on projected surplus/(deficits):

Component (\$M)	Description	FY22	FY23	FY24
FY22 Q2 Projected Surplus/(Deficit)		\$30.2	(\$62.7)	(\$219.3)
FY23 Rate Action	8.67% rate increase effective 7/1/22 (non-Medicare plans)	\$0.0	\$62.9	\$129.4
COVID-19 Reimbursement	\$29M COVID-19 reimbursement funds received April 2022 (previous estimate was \$24M to be received FY23)	\$29.0	\$5.0	\$5.0
Experience	Updated claims and enrollment; includes impact of current EGWP No Rx participants enrolling in Rx coverage 1/1/23	(\$0.1)	\$1.1	\$2.3
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	\$2.9	\$2.5	\$3.6
FY22 Q3 Projected Surplus/(Deficit)		\$61.9	\$8.8	(\$79.1)

GHIP long term health care cost projections

FY22 Q3 Update

GHIP Costs (\$ millions)	FY20 Actual	FY21 Actual	FY22 Projected ¹	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹
Average Enrolled Members	128,531	129,768	130,315	131,618	132,934	134,263	135,606
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$830.8	\$839.4	\$839.9	\$804.0	\$767.3	\$774.9	\$783.6
8.67% premium increase effective 7/1/22	-	-	\$0.0	\$62.9	\$66.5	\$67.2	\$67.9
Other Revenues ³	\$122.8	\$128.9	\$191.2	\$188.6	\$223.3	\$242.0	\$262.4
Total Operating Revenues	\$953.7	\$968.3	\$1,031.1	\$1,055.5	\$1,057.1	\$1,084.1	\$1,113.9
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$927.7	\$1,005.7	\$1,036.2	\$1,103.2	\$1,141.8	\$1,219.6	\$1,305.1
% Change Per Member	0.9%	7.4%	2.6%	5.4%	2.5%	5.8%	6.0%
Adjusted Net Income (Revenue less Expense)	\$26.0	(\$37.4)	(\$5.1)	(\$47.7)	(\$84.7)	(\$135.5)	(\$191.2)
Balance Forward	\$163.8	\$189.8	\$152.3	\$147.2	\$99.6	\$14.9	(\$120.6)
Ending Balance	\$189.8	\$152.3	\$147.2	\$99.6	\$14.9	(\$120.6)	(\$311.9)
- Less Claims Liability ⁵	\$57.5	\$57.5	\$61.0	\$64.9	\$67.2	\$71.8	\$76.8
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$24.3	\$25.9	\$26.8	\$28.6	\$30.6
- Less COVID-19 Reserve ⁶	-	-	-	-	-	-	-
GHIP Surplus (After Reserves/Deposits)	\$108.0	\$70.5	\$61.9	\$8.8	(\$79.1)	(\$221.0)	(\$419.3)

- Projections reflect all items voted on by SEBC as of April 25th, 2022 SEBC meeting
- Projections exclude financial impact of pending and upcoming legislation, including SS 1 for SB 120 (see slide 6)

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.

Please refer to Appendix for FY17, FY18, and FY19 actual results (slide 16) and detailed projection footnotes (slide 17)

GHIP long term health care cost projections

FY23 legislation impacting the GHIP

- The following bills have either been signed or are anticipated to be signed with an effective date on or before the end of FY23; future cost estimates are not reflected in the updated long-term projections but are included below:

Bill	Effective Date	Description	Fiscal Year Cost (Savings)
<i>Bills signed and/or enacted without signature from the Governor:</i>			
SB 25	January 1, 2022	Chiropractor reimbursement not less than Medicare	\$0.4M*
SS 1 for SB 120	January 1, 2023	Sustaining primary care through increased reimbursements	\$4.6M – \$29.9M ; reflects Highmark cost estimate for Highmark population only
HB 219	Immediately	Provides enhanced oversight and transparency as it relates to PBMs	\$1.8M
<i>Bills anticipated to be passed during the 151st General Assembly:</i>			
150 th General Assembly HB 303 (formerly HB 307)	As early as January 1, 2024	Requires coverage of annual behavioral health well visits with a non-physician behavioral health provider	\$2.0M-\$3.1M
TBD	As early as January 1, 2023	Sponsored bill will require all insurers, including the GHIP, to provide supportive/maintenance chiropractic care	>\$0.1M

- Potential cost impact of these bills are excluded from long-term projections

*Reflected in updated long-term projections due to 1/1/2022 effective date.

GHIP long term health care cost projections (FY22 Q3 update)

Premium rate increase scenarios

- Projected \$79.1M FY24 deficit driven by:
 - Health care trend (5.5% medical, 8% pharmacy)
 - Lost Medicfill subsidy triggered by move to Group Medicare Advantage Plan with \$0 medical only premium
 - GHIP surplus fully depleted by end of FY23
- Favorable projected experience for FY24, including:
 - Operating expenses only +2.5% over FY23
 - Other Revenues projected \$34.7M higher than FY23 driven by CVS Health Rx contract savings
 - Offset by \$36.7M reduction in premium revenue due to reduced Medicfill subsidy; requires additional active and pre-65 retiree contributions to make up for reduced subsidy
- Absent any additional program changes, a **10% rate increase** effective 7/1/2023 is required to solve for the **\$79.1M projected FY24 deficit**
 - Loss of available surplus to offset premium increases by end of FY23 results in larger rate actions needed to solve for future deficits
- Smoothing the rate increase over three years to solve for FY26 deficit requires approximate 8% annual rate increases per year in FY24, FY25 and FY26
- ***Impact of Delaware legislative activity and upward pressures on health care trend may drive projected deficits higher absent additional program changes***

GHIP long term health care cost projections (FY22 Q3 update)

FY23/FY24 cost avoidance opportunities

GHIP/Member Impact

- Favorable
- Neutral
- Unfavorable

- The following tactics target solutions aligned with the GHIP mission statement and goals, and are intended to provide cost reduction/savings opportunities that are least disruptive to GHIP members

Recommendation	Description	Member/GHIP Impact	FY24 Savings Potential
Pre-65 retiree Marketplace	Move to ACA Exchange/HRA	<ul style="list-style-type: none"> ○ More choice, lower cost ○ Potential for low income subsidies ○ Reduced contributions for actives ○ Reduced OPEB liability (RBSC goal) 	TBD
Expanded COE strategy, including bariatric surgery mandate through SP+	Target new conditions and high quality/low cost facilities; mandate procedures through SurgeryPlus	<ul style="list-style-type: none"> ○ Better quality/lower cost ○ Potential provider disruption ○ May move care out-of-state 	\$10M+
Implement CDHP-HSA plan	Add high-deductible plan with Health Savings Account option	<ul style="list-style-type: none"> ○ Drive consumerism ○ Attraction/retention mechanism ○ Member disrupted cash flow (loss of 1st dollar coverage) 	\$2-\$10M
Value-based contracting arrangements	Direct contracting, employer sponsored primary care, APM's	<ul style="list-style-type: none"> ○ Lower cost for GHIP and members ○ Potential provider disruption 	TBD
PrudentRx	Specialty Rx - Manufacturer assistance program	<ul style="list-style-type: none"> ○ Member engagement required 	\$7-\$8M
Implement MSK solution	Hinge Health/Sword Health solution to treat MSK conditions	<ul style="list-style-type: none"> ○ Increased access, better outcomes 	\$4-\$6M

FY24 monthly rates and employee/retiree contributions

Illustrative: 8% increase effective 7/1/2023

FY24 reflects employee contribution increases of \$2.42 - \$23.72 per employee per month (\$29.04 - \$284.64 per year) and State subsidy increases of \$58.04 - \$156.58 per employee per month (\$696.48 - \$1,878.96 per year) effective 7/1/2023

	FY23 Rates			FY 2024 with 8% Increase (effective 7/1/2023)			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$755.64	\$30.22	\$725.42	\$816.10	\$32.64	\$783.46	\$2.42	\$29.04	\$58.04	\$696.48
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,688.50	\$67.54	\$1,620.96	\$5.00	\$60.00	\$120.08	\$1,440.96
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,240.56	\$49.62	\$1,190.94	\$3.68	\$44.16	\$88.22	\$1,058.64
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,110.70	\$84.44	\$2,026.26	\$6.26	\$75.12	\$150.10	\$1,801.20
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$844.66	\$42.24	\$802.42	\$3.14	\$37.68	\$59.44	\$713.28
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,751.34	\$87.58	\$1,663.76	\$6.50	\$78.00	\$123.24	\$1,478.88
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,290.50	\$64.52	\$1,225.98	\$4.78	\$57.36	\$90.82	\$1,089.84
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,224.92	\$111.24	\$2,113.68	\$8.24	\$98.88	\$156.58	\$1,878.96
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$852.00	\$55.38	\$796.62	\$4.10	\$49.20	\$59.02	\$708.24
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,796.34	\$116.78	\$1,679.56	\$8.66	\$103.92	\$124.40	\$1,492.80
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,303.34	\$84.72	\$1,218.62	\$6.28	\$75.36	\$90.26	\$1,083.12
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,241.44	\$145.70	\$2,095.74	\$10.80	\$129.60	\$155.24	\$1,862.88
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$931.70	\$123.44	\$808.26	\$9.14	\$109.68	\$59.88	\$718.56
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$1,933.38	\$256.18	\$1,677.20	\$18.98	\$227.76	\$124.24	\$1,490.88
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,435.91	\$190.26	\$1,245.65	\$14.10	\$169.20	\$92.27	\$1,107.24
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,416.98	\$320.24	\$2,096.74	\$23.72	\$284.64	\$155.32	\$1,863.84

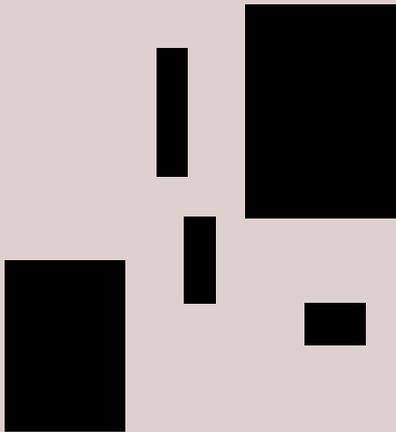
FY24 monthly rates and employee/retiree contributions

Illustrative: 10% increase effective 7/1/2023

FY24 reflects employee contribution increases of \$3.02 - \$29.66 per employee per month (\$36.24 - \$355.92 per year) and State subsidy increases of \$72.54 - \$195.71 per employee per month (\$870.48 - \$2,348.52 per year) effective 7/1/2023

	FY23 Rates			FY 2024 with 10% Increase (effective 7/1/2023)			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$755.64	\$30.22	\$725.42	\$831.20	\$33.24	\$797.96	\$3.02	\$36.24	\$72.54	\$870.48
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,719.76	\$68.80	\$1,650.96	\$6.26	\$75.12	\$150.08	\$1,800.96
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,263.54	\$50.54	\$1,213.00	\$4.60	\$55.20	\$110.28	\$1,323.36
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,149.78	\$86.00	\$2,063.78	\$7.82	\$93.84	\$187.62	\$2,251.44
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$860.30	\$43.02	\$817.28	\$3.92	\$47.04	\$74.30	\$891.60
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,783.76	\$89.20	\$1,694.56	\$8.12	\$97.44	\$154.04	\$1,848.48
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,314.40	\$65.72	\$1,248.68	\$5.98	\$71.76	\$113.52	\$1,362.24
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,266.12	\$113.31	\$2,152.81	\$10.31	\$123.72	\$195.71	\$2,348.52
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$867.78	\$56.42	\$811.36	\$5.14	\$61.68	\$73.76	\$885.12
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,829.62	\$118.94	\$1,710.68	\$10.82	\$129.84	\$155.52	\$1,866.24
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,327.48	\$86.28	\$1,241.20	\$7.84	\$94.08	\$112.84	\$1,354.08
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,282.94	\$148.40	\$2,134.54	\$13.50	\$162.00	\$194.04	\$2,328.48
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$948.96	\$125.74	\$823.22	\$11.44	\$137.28	\$74.84	\$898.08
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$1,969.18	\$260.92	\$1,708.26	\$23.72	\$284.64	\$155.30	\$1,863.60
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,462.50	\$193.78	\$1,268.72	\$17.62	\$211.44	\$115.34	\$1,384.08
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,461.74	\$326.18	\$2,135.56	\$29.66	\$355.92	\$194.14	\$2,329.68

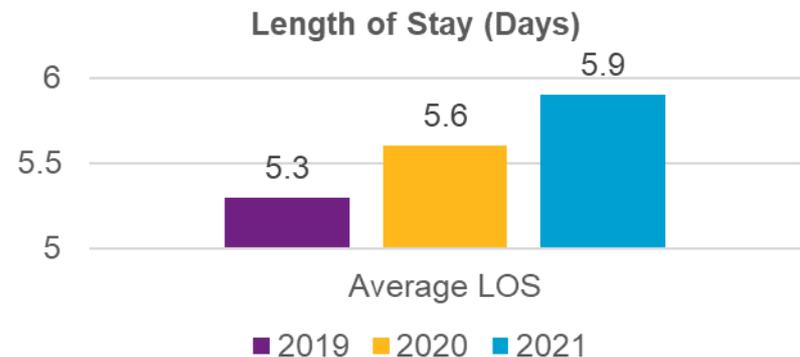
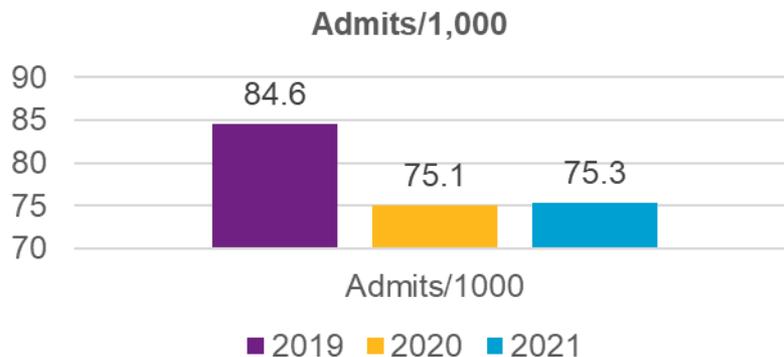
GHIP Utilization Update



GHIP utilization

Inpatient hospital

- Inpatient hospital cost and utilization
 - Admissions per 1,000 were stable from 2020 to 2021, but the allowed per admission increase of 4.6% was driven by increased severity, with the average length of stay increasing 5.8%
 - Inpatient facility payments increased 7.8%, or \$11.8M from 2020 to 2021, and 7.3%, or \$13.8M over 2019
 - Inpatient surgical stays decreased by 7.7%, leading to an 11.5% reduced PEPM
 - Inpatient medical utilization increased 10.0% and drove 19.7% increase in PEPM
 - PEPM payments for maternity increased 40.3% over 2020, or \$8.6M



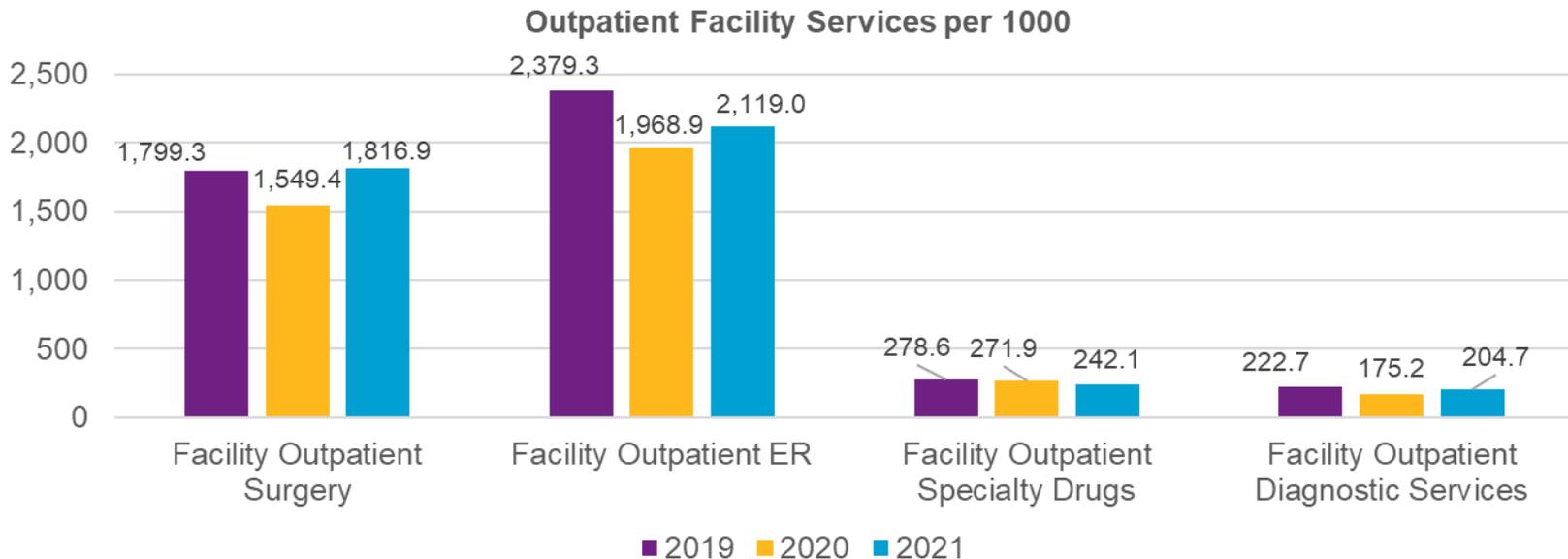
Source: IBM Watson Health; includes active employees, early retirees and their families. Net Payment and Allowed Amount are computed using a completion factor for claims incurred but not reported.

GHIP utilization

Outpatient facility

■ Outpatient facility utilization

- Outpatient facility claims rose \$24.4M from 2020 to 2021, equaling an increase of 15.2% PEPM; 2021 PEPM for outpatient facility only 4.3% higher than 2019
- In 2021 outpatient surgeries surpassed the 2019 utilization rates, while ER, specialty drugs, and diagnostic services still lag utilization levels from 2019
- Indicates potential for pent-up demand to drive additional utilization in 2022 and beyond

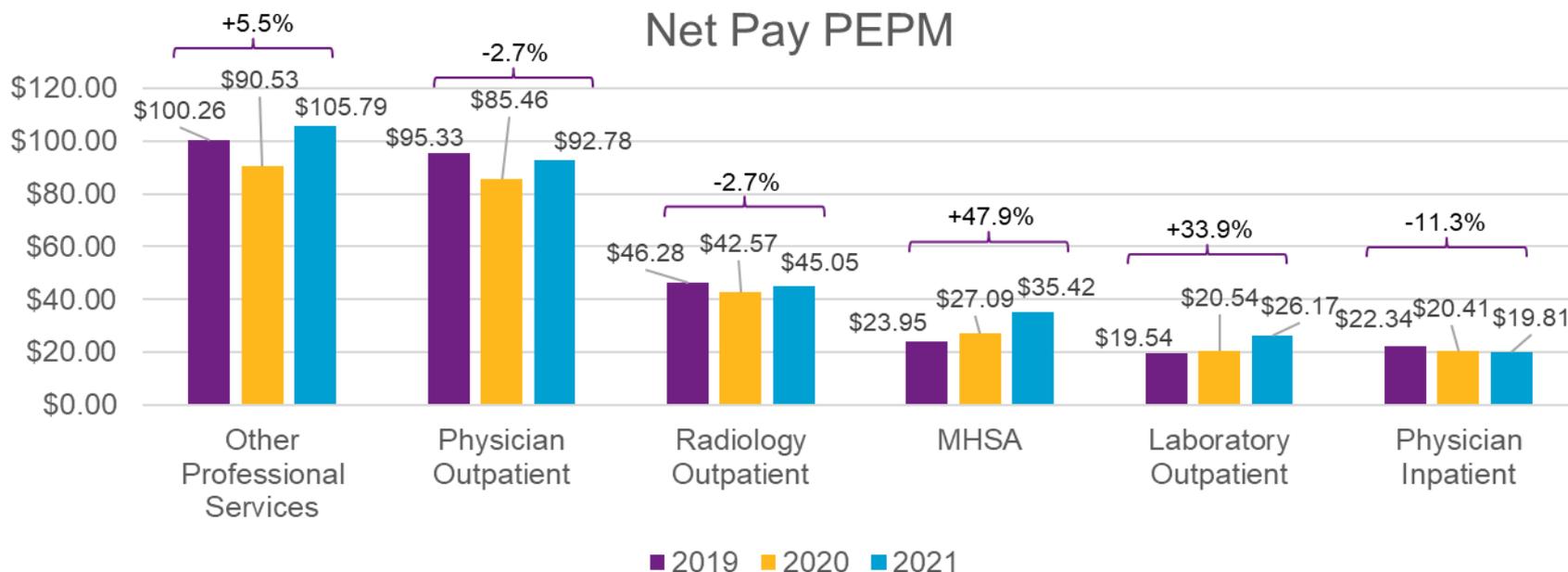


Source: IBM Watson Health; includes active employees, early retirees and their families. Net Payment and Allowed Amount are computed using a completion factor for claims incurred but not reported.

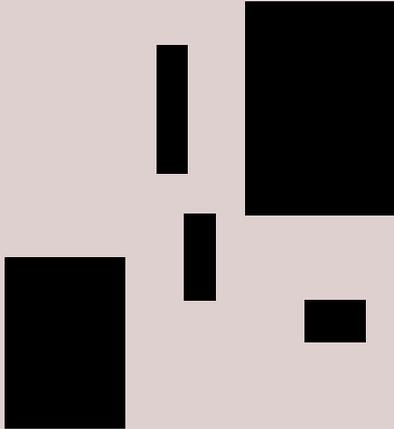
GHIP utilization

Other services

- Physician outpatient, radiology outpatient and physician inpatient saw PEPM's decrease compared to 2019, while other professional services had modest gains
- MHSA PEPM has steadily increased since 2019, with increases of 13.1% in 2020 and 30.7% in 2021
 - Utilization of mental health outpatient services up 8.7% with 34.7% increase in PEPM
 - Substance abuse inpatient utilization up 31.7% with 50.6% increase in PEPM
 - Substance abuse outpatient visits are down 47.7%, but PEPM costs increased 22.3%.
- Outpatient laboratory PEPM increased rapidly in 2021, up 27.4% over 2020, triggered by increases in utilization and unit cost



Appendix



GHIP historical health care fund information

FY17-FY19

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Actual
Average Enrolled Members	123,132	125,488	126,360
GHIP Revenue			
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$817.4
<i>Hold premium rates flat FY21+</i>	-	-	-
Other Revenues ³	\$81.6	\$92.1	\$98.5
Total Operating Revenues	\$880.6	\$903.0	\$915.9
GHIP Expenses (Claims/Fees)			
Operating Expenses ⁴	\$816.8	\$853.9	\$904.0
<i>% Change Per Member</i>		2.6%	5.1%
Excise Tax Liability ⁵			
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	\$11.9
Balance Forward	\$38.9	\$102.7	\$151.8
Ending Balance	\$102.7	\$151.8	\$163.8
- Less Claims Liability ⁶	\$54.0	\$58.9	\$58.8
- Less Minimum Reserve ⁶	\$24.0	\$24.0	\$24.3
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$80.7

GHIP long term health care cost projection footnotes

Note: FY17-FY21 actuals based on final June Fund Equity reports for respective fiscal year; FY22+ projected operating expenses and enrollment based on experience through March 2022 (actual claims updated through April 2022); assumed 1% annual enrollment growth; numbers in table may not add up due to rounding

1. Includes approved design changes effective 7/1/2019 including implementation of SurgeryPlus COE (\$0.5m annual savings), site-of-care steerage (\$6.9m), Highmark infusion therapy program (\$2.0m) and implementation of Livongo (\$0.7m); FY21 reflects implementation of Highmark radiation therapy authorization program (\$633k annual savings per Highmark); FY22-FY26 projections based on 5% medical, 8% pharmacy baseline trend; assumes 1% annual growth in GHIP membership; FY22 projection reflects impact of COVID-19; assumes no other program changes in FY22 and beyond.
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY22-FY26
3. Includes Rx rebates, EGWP payments, other revenues based on when revenues will be received; FY22 and beyond includes estimated improvements in Rx rebates based on result of PBM award to CVS Health; rebates assumed to be paid 60 days after the quarter adjudicated; includes fees for participating non-State groups (assumed to increase proportionally with membership and premium growth); FY22 includes \$8.68m CY2020 CMS financial reconciliation payment received Jan. 2022.
4. FY22 and beyond includes estimated reduction in pharmacy claims as a result of PBM award to CVS Health
5. FY20 Minimum Reserve levels updated with data through June 2019; FY20 Claim Liability updated with lag factors as of Dec 2019 and claims data through December 2019; FY21 reserves assumed to remain at FY20 levels; FY22 claim liability and future years assumed to increase with overall GHIP claims growth; FY22 minimum reserve assumed to remain at FY21 level.
6. One-time COVID-19 reserve as approved by SEBC on July 27th, 2020; released at the end of FY21

It is evident that the COVID-19 pandemic will have an impact on health care costs. We have used available information and reasonable estimation techniques to develop health care cost estimates for the GHIP that reflect the impact of COVID-19. However due to the high degree of uncertainty associated with this pandemic, results may vary from the estimates provided.